



## On-Going Administration of Bonds and Other Debt

**CASBO/CDIAC ABCs of School Debt Financing**  
**Sacramento – January 11, 2007**  
**San Diego – January 18, 2007**



## What To Get From This Session

- **Your role and responsibilities**
- **Professionals and others who can help**
- **When in doubt, ask**



## What We'll Be Discussing

- **Continuing disclosure**
- **Tax law –**
  - **Private Use**
  - **Arbitrage and Rebate**
  - **Private Loan**
- **Tax Levies**
- **Accounting Issues**



## Continuing Disclosure



### **Overview**

- ◆ **Rule 15c2-12**
- ◆ **Duty to update**
- ◆ **Certificate or agreement**



## Continuing Disclosure (cont'd)



### **Annual report**

- **What to include**
  - **Audit**
  - **Other Specified Information**
- **When to file**
- **How / where to file**
  - **Central Post Office**
    - [www.disclosureusa.org](http://www.disclosureusa.org)
  - **NRMSIRS**
    - **Nationally Recognized Municipal Securities Reporting**



## Continuing Disclosure (cont'd)



### **Material events**

- **Be aware of 11 events**
- **Consult with professionals**
- **Requires filing upon happening of event**



## Continuing Disclosure (cont'd)



### **Compliance regime**

- ◆ **Understand obligations**
- ◆ **Assign responsible officer**
- ◆ **Hire consultants**



## Continuing Disclosure (cont'd)



### **Failure to comply**

- ◆ **Disclosure requirement for 5 years**
- ◆ **Statements to the Market – Potential Fraud Liability**





# Federal Tax Law Compliance



## **General Principles**

◆ **No Private Use (5% exception)**

◆ **Sale**

◆ **Subleases**

◆ **Management Contracts**

◆ **No Private Loan**



## Federal Tax Law Compliance (cont'd)

### ➤ **Arbitrage/Rebate**

#### ➤ **Arbitrage**

➤ **The investing of bond proceeds at an interest rate above the bond yield**

➤ **Bond Yield**                      **5%**

➤ **Investment Rate**                **6%**

➤ **Arbitrage**                        **1%**

#### ➤ **Rebate**

➤ **Return to federal government all arbitrage not fitting within an exception**

➤ **Spending exceptions 6, 18 and 24 month**



## Federal Tax Law Compliance (cont'd)



### **Arbitrage Rules**

#### **➤ Construction Fund**

##### **➤ Yield Restriction after 3 years**

#### **➤ Debt Service Fund**

##### **➤ Annual Cleanout**

##### **➤ Invested Sinking Fund**



## Federal Tax Law Compliance (cont'd)

### ➤ **Consequences of Failure to Comply**

#### ➤ **IRS Audit**

#### ➤ **Taxability of Bonds**

#### ➤ **Penalties**



## Tax Levies



### **Setting Annual Tax Rates**

- **Submit to County Auditor by August 10**
- **General Obligations**
- **Mello-Roos Bonds**
- **Provide Instructions**
- **Track Earnings for Arbitrage Rebate Compliance**



## Tax Levies



### **Investment of proceeds**



### **County Office of Education**

- ◆ **15-day commencement period on Leases**
- ◆ **Approval of issuance from qualified districts**
- ◆ **Review of Annual Budget**



### **Audit**

- ◆ **General Audit for Continuing Disclosure**
- ◆ **Proposition 39 Audits**
  - ◆ **Performance Audit**
  - ◆ **Finance Audit**